

## **Annual Governance Statement 2015-16**

### **1. Scope of responsibility**

- 1.1. Islington Council is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Additionally, the Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government. A copy of the code is on our website and included in the Council's Constitution.
- 1.3. This statement explains how the Council has complied with the code and also meets the requirements of Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement. In line with the CIPFA/SOLACE framework, this statement is "an open and honest self-assessment" of the Council's performance across all of its activities and:
  - Describes the key elements of the Council's governance arrangements, covering all corporate systems and the range of activities for which the Council is responsible;
  - Describes processes applied in reviewing their effectiveness, and
  - Lists actions proposed to deal with significant governance issues identified.

### **2. The purpose of the governance framework**

- 2.1. The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the

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impact should they be realised, and to manage them efficiently, effectively and economically.

2.3. The governance framework described in this document has been in place at Islington Council for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

### **3. The governance framework**

This section describes the key elements of Islington Council's governance arrangements.

#### ***3.1. Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users***

3.1.1. The central aim of the Council's Administration is to make Islington a fairer place. In 2010 the Council set up a Fairness Commission which explored inequalities for residents and set out recommendations for a fairer Islington. This was followed in 2013 by a second commission – the Employment Commission – looking at how to tackle unemployment, a key driver in the poverty and inequality in Islington.

3.1.2. The Council's priorities to achieve 'A Fairer Islington' are set out in the 'Islington Commitment', our Corporate Plan for 2015-19. The five key priorities are:

- Providing more council housing and support private renters
- Helping residents who are out of work to find the right job
- Helping residents cope with the rising cost of living
- Providing residents with good services on a tight budget
- Making Islington a place where our residents have a good quality of life

3.1.3. These priorities and the intended outcomes have been communicated to staff, residents and service users in newsletters, on the Council's website ([www.islington.gov.uk](http://www.islington.gov.uk)) and through a variety of other media. The Council also uses large print and translated documents to make the information accessible.

#### ***3.2. Monitoring and driving progress in delivering the Islington Commitment***

3.2.1. The Council has in place a robust Performance Management Framework to ensure effective delivery of services and priorities. elements are:

- Corporate Performance Indicator Suite – performance measures covering key services, priorities and equalities objectives;

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- Monthly Performance Panel – an internal mechanism for senior scrutiny of corporate priorities and of council services;
- Performance reporting to scrutiny committees, including more in depth scrutiny of specific topics, and
- Overall monitoring of corporate performance through the Policy and Performance Scrutiny Committee.

3.2.2. The Islington Commitment, Corporate Performance Indicator Suite, and Performance Management Framework are set out on the Performance page of the Council's website.

### ***3.3. Measuring the quality of services for users, to ensure they are delivered in accordance with the authority's objectives and that they represent best use of resources and value for money***

3.3.1. The Council's robust management processes enable it to measure the quality of services provided to Islington's residents and service users:

- Service, financial and corporate planning processes ensure that the Council's objectives are based on service commitments and strategic priorities;
- Directorates report monthly on their key financial, risk and service delivery indicators. Performance slippages are highlighted and remedial action taken;
- The Monthly Performance Panel, and the external reporting through scrutiny, both include a focus on the quality of services and on user feedback.

### ***3.4. Defining and documenting the roles and responsibilities of the Executive, Non-Executive, Scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of authority and partnership arrangements***

3.4.1. Islington Council's Constitution sets out how the Council operates, how decisions are made, how decisions remain efficient and transparent, and how the Council demonstrates its accountability to residents and local businesses.

3.4.2. The Constitution also sets out the roles and responsibilities of the Executive, Non- Executive, Scrutiny and officer functions. A Publicity Protocol governing Members' and Committees' communication is laid out in part 6 of the Constitution; compliance with this is supported by a specialist Communications Team.

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3.4.3. The Constitution is updated at least annually. Key amendments coming into effect in 2015/16 included changes to enable the electronic service of meeting summons and related documents, changes to delegations in respect of personal budgets to prepare for the implementation of the Care Act 2014, changes to the scrutiny committee structure to more closely match departmental responsibilities, changes to implement the Openness of Local Authority Bodies Regulations 2014 and changes to increase public participation in council meetings.

### ***3.5. Developing, communicating and embedding codes of conduct; defining the standards of behaviour for Members and staff***

3.5.1. The Council expects the highest conduct and behaviour from all its Members and officers. Responsibility for promoting, developing and maintaining these high standards lies with the Audit Committee, supported by the Standards Committee which is responsible for considering complaints of breach of the Members Code of Conduct. The Audit Committee received an annual report on Member conduct matters on 22<sup>nd</sup> September 2015. In accordance with the Localism Act 2012, the Council has appointed Independent Persons who have statutory functions in relation to the process for dealing with complaints of breach of the Code.

3.5.2. Part 6 of the Constitution contains the revised Members Code of Conduct which sets out the rules for registering and declaring interests; it also includes protocols on Member/Officer Relations, Financial Regulations and Procurement Rules, and the Members Call for Action.

3.5.3. Part 7 of the Constitution contains the Members' Allowance Scheme which includes details on Members' eligible expenses. The scheme is reviewed annually taking into account advice and recommendations of the London Council's Independent Remuneration Panel.

3.5.4. An Officer Code of Conduct is reviewed, revised and publicised to staff.

### ***3.6. Reviewing the effectiveness of the authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality***

3.6.1. Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for full Council, most are made by the Executive or by Committees, Sub-Committees or officers. The limited powers delegated to individual portfolio holders are set out in the Constitution as is the process should the Leader decide to exercise any executive powers personally. In accordance with the Local Government Act 2000 the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals

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and decisions by the Executive. These mechanisms involve the overview and scrutiny process, call-in and question time. The conduct of the Council's business is governed by the Constitution.

- 3.6.2. The Constitution includes formal delegation of responsibility and accountability, procurement rules and the Council's Financial Regulations. The Monitoring Officer and Section 151 Officer have overall responsibility for ensuring standing orders, standing financial instructions, the scheme of delegation and supporting material are up to date and clearly communicated.
- 3.6.3. Forthcoming Executive decisions are published on the Forward Plan which sets out all key decisions at least 28 days in advance of when it is anticipated they will be made, subject to urgency procedures. The Executive is responsible for the implementation of policy and ensuring the effectiveness of service delivery. The scrutiny function supports effective decision making and policy development by the Executive. The Policy and Performance Scrutiny Committee and Review Committees are responsible for overseeing a targeted work programme that can help support service improvement through an in-depth investigation of poor performance and the development of an effective strategy/policy framework for the Council and its partners. This includes consideration of the corporate plan and the medium term financial strategy. The Policy and Performance Scrutiny Committee and Review Committees are the scrutiny bodies responsible for monitoring the performance of the Council and its partners in relation to their stated policy and priorities.
- 3.6.4. All formal meetings are clerked by well trained and experienced Democratic Services Officers and lawyers are present when appropriate to provide advice on law and constitutional procedure. Members are required to make sound decisions based on written reports which are prepared in accordance with the Council's report writing guidelines and have to be cleared by relevant officers including Finance and Legal Services and by portfolio holders. Reports must pay due regard to equalities and environmental issues, together with financial and legal implications and risks. Joint Board (an officer and Executive member group) meets about a month before each Executive and has included on its agenda all items planned for the next Executive meeting. Not all items are proactively briefed on but they are available for members to ask questions about.

### ***3.7. Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability***

- 3.7.1. Following the implementation of a refreshed council wide approach to risk management in 2014/15, which resulted in a new framework capturing key strategic, operational and programme/ project risks resulting in a more enterprise-wide and dynamic approach, further

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refinements to the framework have been made during 2015/16 to define materiality and provide guidelines for risk escalation. Key aspects of the new approach have included the development of a top-down (CMB-owned risks) and bottom-up approach (service-owned risks) to risk management including the identification of key principal risks facing the Council as identified by CMB and senior management across each Department. Going forward, risk workshops will take place to embed refinements to the framework. Risk reviews will take place for each divisional management team every six months to help integrate and embed effective risk management within the culture of the Council.

### ***3.8. Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained***

- 3.8.1. Islington Council's Anti-Fraud Strategy was refreshed during 2015/16. The revised strategy has been agreed through Corporate Management Board and Audit Committee. The strategy reflects current legislation and policy. A revised Corporate Prosecution and Enforcement policy has been written and agreed through Legal Services. Current work surrounding the Fraud Response and Risk Plan and an effective Communications and Training plan is continuing.
- 3.8.2. The Council's Fraud Forum has been established as part of the Governance arrangements within the Anti-Fraud Strategy. The Forum is chaired by a Corporate Director and is attended by relevant officers involved in fraud. The purpose of the forum is: to monitor the Anti-Fraud framework to ensure that it remains relevant; to consider any new or increased exposures to fraud and corruption; to escalate serious concerns as appropriate and; to ensure that the action taken to address fraud and corruption risks in Council activities is adequate and effective.
- 3.8.3. The Council investigates reported or suspected fraud, and participates in the National Fraud Initiative. The Council's whistle blowing policy provides a mechanism for suspected breaches of law, procedure or policy to be confidentially reported.
- 3.8.4. Completed anti-fraud work in 2015/16, produced reports in a number of areas. Investigation reports with recommendations to strengthen controls and mitigate fraud risk were issued to service management on completion of these investigations

### ***3.9. Ensuring effective management of change and transformation***

- 3.9.1. At a strategic level the Corporate Management Board (CMB) owns the change management process for the Council. Key initiatives are identified in the "Transforming Islington" Programme, reflecting the council's key strategic priorities.

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- 3.9.2. Project and programme governance is established proportionate to the complexity, impact and risk profile of the initiative. CMB signs off all the key outcomes to be delivered by each of the “Transforming Islington” projects, and assigns ownership to a Project Sponsor at Service Director level or higher. Each has a project board which reports to CMB on progress, issues and risks. Departmental Management Teams review projects falling within their service area to ensure delivery.
- 3.9.3. The Corporate Transformation Team provide direct project support to most of these change initiatives and maintains an overview of other areas of change to ensure that appropriate progress is made and linkages and dependencies between projects are picked up. A wider support network, including financial, ICT, HR and risk management advice is coordinated by the Transformation team to ensure that barriers to success are identified and addressed.
- 3.9.4. The project planning process has a strong emphasis on return on investment and service managers are asked to sign off on the level of savings potentially achievable before committing them into spending plans. These are then monitored following project completion to ensure they are delivered.

### **3.10. *Ensuring the authority’s financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and CIPFA Statement on the Role of the Head of Internal Audit (2010)***

3.10.1. The Corporate Director of Finance and Resources (Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972) was the Council’s most senior executive role charged with leading and directing financial strategy and operations for 2015-16. In his role as Chief Finance Officer, he is responsible for:

- Ensuring lawfulness and financial prudence of decision-making;
- Reporting to full Council (or to the Executive if the matter to which the report relates is an executive responsibility) and the Council's external auditor if he considers that any proposal, decision or course of action will involve incurring unlawful expenditure; or is unlawful and is likely to cause a loss or deficiency; or if the Council is about to enter an item of account unlawfully, and
- Providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to Councillors

3.10.2. The Head of Internal Audit gives an objective and evidence based opinion on all aspects of governance, risk management and internal

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control, and reports quarterly to the Audit and Governance Committee.

3.10.3. A Corporate Governance Group also meets every two months to discuss and monitor compliance with corporate systems of internal control, data security and governance issues. The group includes the Corporate Director of Finance and Resources, (the Section 151 Officer) the Assistant Chief Executive (Governance and HR) (the Council's Monitoring Officer), and the Head of Internal Audit.

### **3.11. *Ensuring effective arrangements are in place for the discharge of the monitoring officer function***

3.11.1. The roles and responsibilities in respect of the democratic process are set out in detail in the Constitution. The Assistant Chief Executive (Governance and HR) is responsible, in her role as monitoring officer, for:

- Maintaining and keeping under review an up-to-date version of the Constitution (setting out in particular the bodies and post holders able to exercise, the Council's functions, and codes of behaviour for members and officers) and making this widely available to Councillors, officers and the public.
- Holding an up-to-date list of authorisations issued by the Directors to other officers under Part 3, paragraph 8.7 and Appendix 3 of the Constitution, permitting other officers to exercise powers delegated to them under the Constitution.
- Reporting to full Council (or to the Executive if the matter to which the report relates is an executive responsibility) if she considers that any proposal, decision or omission has given, may or would give rise to unlawfulness or has given rise to any maladministration which has been investigated by the Ombudsman.
- Contributing to the promotion and maintenance of high standards of conduct through provision of support to the Standards Committee and by maintaining a Register of Interests of Councillors and voting co-opted members of the Council
- Receiving and acting on complaints that a member has breached the Islington Members' Code of Conduct
- Advising whether decisions of the Executive are in accordance with the Policy Framework and the Budget.



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- Advising Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues.

### **3.12. *Ensuring effective arrangements are in place for the discharge of the head of paid service function***

3.12.1. As head of the paid service, the Chief Executive works closely with elected members to deliver the following:

- Leadership: working with elected members to ensure strong and visible leadership and direction, encouraging and enabling managers to motivate and inspire their teams
- Strategic direction: ensuring all staff understand and adhere to the strategic aims of the organisation and follow the direction set by the elected members
- Policy advice: acting as the principal policy adviser to the elected members of the Council to lead the development of workable strategies which will deliver the political objectives set by the Councillors
- Partnerships: leading and developing strong partnerships across the local community to achieve improved outcomes and better public services for local people
- Operational management: overseeing financial and performance management, risk management, people management and change management within the Council

### **3.13. *Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities***

3.13.1. The Audit Committee and its associated Sub-Committees exist to deal with a range of matters including Council accounts and audit functions and personnel and electoral registration functions.

3.13.2. The regular training of the Audit Committee's members helps ensure the Committee is able to effectively discharge its responsibilities.

3.13.3. The Audit Committee has independent members suitably qualified to support the committee in an advisory capacity.

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### **3.14. *Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful***

- 3.14.1. Chief Officers are responsible for ensuring that their staff operate lawfully and that human resources policies and the Code of Employee Conduct promote high standards of behaviour and are reinforced by appropriate training. As well as providing support on request on specific projects and issues, the Council's Legal Service provides proactive updates, training and advice to all Chief Officers and Members on new legislation and case law developments and changes to existing legislation and regulations. Legal Services explain the legal implications in all reports to the Council, its Committees and the Executive. The service also provides legal implication comments for reports to Chief Officers and to meetings of the Corporate Management Board. A representative of the Service attends all Council, Executive, Policy and Performance Scrutiny Committee, Planning and Licensing meetings and other meetings when appropriate.
- 3.14.2. The Internal Audit function produces an annual plan which identifies key strategic and operational risks facing the Council and sets out a programme of work designed to provide assurance to the Section 151 Officer, Management and Members that the Council complies with relevant laws, regulations, internal policies and procedures. All internal and external audit reports are available to the Audit Committee.

### **3.15. *Whistleblowing and for receiving and investigating complaints from the public***

- 3.15.1. The Council has established a whistle blowing policy in accordance with the requirements of the 1998 Public Interest Disclosure Act. This forms part of the Council's Anti-Fraud Policy. The Audit Committee is responsible for reviewing and updating the whistle blowing policy and receives a report concerning it annually. The policy was updated in March 2014.
- 3.15.2. The whistle blowing policy is publicised to staff via the corporate induction process, internal newsletters and on the Council's intranet and internet sites. The policy encourages officers to report inappropriate action by fellow employees or Members, also by external contractors, without fear of victimisation or retribution. Whistle blowing referrals are promptly investigated by Internal Audit, where appropriate, after initial referral to the Head of Internal Audit. Whistle blowing referrals have increased year on year and have more than doubled in 2015/16, where 23 whistle blowing referrals have been made.

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- 3.15.3. Islington Council has a formal process for managing complaints which has been reviewed and streamlined, with a view to “getting it right first time”. The process is set out on the Council website and is available from Council offices and libraries.
- 3.15.4. The Council has a corporate complaints officer responsible for ensuring that the Council learns from complaints and improves its performance as a result. Departmental complaints officers record and report on all complaints, and the service response is monitored.
- 3.15.5. Complainants who are dissatisfied with how the Council has dealt with a complaint can contact the Local Government Ombudsman; an independent, impartial and free service. The Ombudsman has powers to independently investigate complaints about how the Council has acted.

### ***3.16. Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training***

- 3.16.1. Islington Council is committed to the on-going professional development of Members and officers. Upon election, all Members are given a corporate induction and offered access to an on-going training and mentoring programme. All training provided to Members is reported to Committee annually.
- 3.16.2. Since the local elections in June 2014, training and development has been provided to councillors both on a group and individual basis. This has included personal development skills based work as well as specific knowledge. Councillors have also attended various conferences and away days as well as specific events put on by the LGA and London Councils.
- 3.16.3. There is an annual performance appraisal scheme for officers, which links targets to service objectives, underpinning the Council’s vision. Through these processes, officers are able to identify their development needs, which are logged on individual development plans that they are encouraged to maintain.
- 3.16.4. Newly employed officers attend the Council’s corporate induction programme, in addition to which directorate and role specific training is provided where needed. Information on staff training and development programmes and courses available are regularly publicised on the Council’s intranet website, IC Bulletin and News Roundup, which includes an induction training course for all new Islington staff and Managers. An extensive induction programme was developed to support staff transferring to the Council as part of insourcing council services such as waste and repairs services. There is compulsory training for staff on key issues such as equality, data security and health and safety.

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3.16.5. The Executive and the Corporate Management Board have a number of 'away days' each year that help them to improve their performance collectively through ideas sharing and looking at improved ways of working.

### **3.17. *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation***

3.17.1. The Council regularly engages and consults with residents and the wider community on a diverse range of issues. Various communication channels are used, including council-mapped websites, social media channels, public meetings and the quarterly magazine delivered to residents. In 2014, and again in 2015, a survey of 1,000 residents was undertaken to test perceptions of the Council, its services, and the priorities for residents. The findings are used to shape policy and communications.

3.17.2. An annual Voluntary and Community Sector Conference, hosted each year, provides an opportunity for engagement with a wide number of local organisations who work closely with some of the most vulnerable residents.

3.17.3. In 2015/16 the council spent £1.65 million on core grants to the borough's main voluntary sector advice agencies (Law Centre, Citizens Advice Bureau, Islington People's Rights) and the Help on Your Doorstep advocacy service. A further £241,000 is given for specialist projects advice and advocacy. All organisations serve the poorest and most vulnerable residents. Over half of users are women, 65% from BAME communities and (depending on the organisation) the number of disabled residents served ranges from 32% to 70%. Around 70% of all users live in social housing, while 20% rent privately.

3.17.4. The Council is in the process of reviewing and agreeing grants for the next four years, with refreshed criteria to ensure that funding is targeted at those organisations best able to support residents and communities who need it most.

3.17.5. Council meetings are open to the public; however exceptions are made for matters that require confidentiality. The time, date and location of public meetings are displayed on the Islington website.

3.17.6. Ward partnerships provide a means for councillors to engage with residents and organisations in their ward to discuss local issues.

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### **3.18. *Enhancing the accountability for service delivery and effectiveness of other public service providers***

- 3.18.1. Each Executive Member is required to report annually to the relevant scrutiny committee on delivery of services and priorities within their portfolio. The Executive Member is accompanied by the relevant Corporate Director. Details are set out in the performance management framework.
- 3.18.2. Accountability and effectiveness of other service providers is addressed through relevant partnership arrangements, including the Safer Islington Partnership, Children and Families Board and the Health and Wellbeing Board.
- 3.18.3. The Council's scrutiny committees can undertake more in depth research into particular challenges or concerns, and request evidence from other service providers.
- 3.18.4. The Health and Wellbeing Board, which includes membership from the Council, Islington Clinical Commissioning Group and Healthwatch Islington provides the mechanism for leadership of the local health and wellbeing system, maintaining an overview of account for improvement in health and wellbeing outcomes, and ensuring effective coordination and integration of commissioning plans to secure best use of resources and population health outcomes.

### **3.19. *Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements***

- 3.19.1. The Council works in partnership with a wide range of organisations from the statutory sector, third sector and business to deliver services for local people and drive forward improvements in Islington. Partnership working includes different types of relationships – from contractual arrangements between the Council and other organisations to deliver services or projects through to strategic forums (some of which are required by statute, others voluntary) which bring partners together around the table to agree how best to tackle key challenges and shared priorities. Some have funding to allocate and targets to meet, others provide a steer to inform individual partners' priorities and commissioning.
- 3.19.2. The governance arrangements vary depending on the nature of partnership working but are designed to ensure that the partnership remains appropriate, effective and fit for purpose. In addition, the Council's Financial Regulations provide guidance on best practice in managing partnership arrangements.

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- 3.19.3. Where the relationship is a contractual one i.e. funding to deliver an agreed service, the contract or service level agreement will set out requirements around use of funding, what is to be delivered, targets, measurable outputs and how the contract is to be monitored, reviewed and evaluated. Contracts and budgets are managed by the relevant department with the Corporate Director or Assistant Chief Executive having overall responsibility.
- 3.19.4. Where the relationship is a strategic one, for instance membership of a partnership such as the Safer Islington Partnership, the Terms of Reference will set out governance and accountability.
- 3.19.5. Generally speaking, most partnerships and forums are not legal entities - partners are there on a voluntary basis and the Council is the formal accountable body in terms of any targets or funding that falls within the remit of the partnership.
- 3.19.6. Where a partnership is a mandatory requirement, e.g. the Safer Islington Partnership and Children's Trust Boards, there will be an expectation set out in legislation on named partners to attend. Even in the case of non-mandatory partnerships such as the Children and Families Board or the Islington Partnership Board, partners may agree 'mandatory' membership from key organisations.
- 3.19.7. Over the past decade, the Council has worked closely with its partners through the Islington Partnership Board (IPB) and its precedents to allocate funding to deliver priorities and targets agreed with government. The IPB agrees the overall priorities for the borough, shares information about key issues affecting individual organisations and agrees joint working arrangement for cross cutting challenges such as youth unemployment and welfare benefit reforms.

### **4. Review of Effectiveness**

- 4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2. The Annual Governance Statement has adopted the six core principles of good governance as recommended by CIPFA/SOLACE. The Council has a number of mechanisms in place to ensure that its partnership governance arrangements are appropriate, fit for purpose and effective.

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4.3. The process and activities that have been applied in maintaining and reviewing the effectiveness of the governance framework are set out below.

### **4.3.1. The Authority**

Part three of the Council's Constitution sets out which bodies or officers are responsible for which functions, whether Executive or Non-Executive. The terms of reference of bodies referred to in this Constitution are set out in part 5 of the Constitution. These include specific responsibilities for ensuring the Council has effective governance arrangements in place.

The Authority's functions may lawfully be exercised by:

- Council;
- The Executive;
- The Leader;
- Individual members of the Executive;
- Individual Ward Members (although not currently in Islington as the Council has not decided to delegate any such powers);
- Committees and Sub-Committees of the Council or the Executive;
- Joint Committees;
- Officers, and
- Other persons properly authorised under specific legislation.

### **4.3.2. The Executive**

The Executive is made up of the Leader of the Council and seven Executive members. The Executive is responsible for the Council's most significant decisions, which are made in line with Council policy and budget. Its terms of reference are clearly defined in Parts 3 and 5 of the Constitution.

The Executive also has an important role in the risk management process, reviewing the corporate risk register on a quarterly basis. Executive agendas, minutes and summaries of decisions are available on the Council website.

### **4.3.3. Audit Committee**

The Audit Committee's terms of reference are set out in Part 5 of the Constitution and are in accordance with recommendations from CIPFA. Its key responsibilities include approval of the annual Internal Audit work plan, review and approval of the annual Statement of Accounts and monitoring the effectiveness of the Council's corporate governance activities and promoting high standards of member conduct.

The Committee meets on a quarterly basis. Since its inception in November 2008, it continues to review and report on the Council's

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auditing processes, with particular regard for performance, value for money, and governance issues. The Committee includes independent members.

### **4.3.4. Scrutiny Committees**

The Policy and Performance Scrutiny Committee and the theme based scrutiny committees enable Councillors to scrutinise the performance of the Council and its partners and decisions made by the Executive.

Scrutiny Committees have responsibility for overseeing performance of the service area within their remit. There are four Scrutiny Committees, closely aligned with Council departments as follows:

- Children's Services Scrutiny Committee;
- Health and Care Scrutiny Committee (to cover Public Health and Adult Social Care);
- Environment and Regeneration Scrutiny Committee, and
- Housing Scrutiny Committee.

Policy and Performance Scrutiny Committee will act as the Scrutiny Committee for those areas not covered above i.e. Crime, Employment, Finance and Resources and is initially responsible for all Councillor Calls for Action.

### **4.3.5. The Standards Committee**

The Standards Committee is responsible for considering complaints of breach of the Members Code of Conduct referred by the Monitoring Officer.

The Committee has the support of Independent Persons appointed under the Localism Act 2012 in respect of its consideration of complaints.

### **4.3.6. Internal Audit**

The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit provides an annual audit opinion and report that can be used by the organisation to inform its governance statement.

#### **Audit Approach**

The Internal Audit plan is developed using a risk-based approach. Internal Audit provide reports on the control of key potential risks identified from risk registers and reports and also comments on operational risks found in services which could impact on the achievement of business objectives.



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The audit plan is delivered by the in-house team across the Cross Council Shared Audit Service (with Camden) and our internal audit contractor, PWC. Key messages arising from Internal Audit's work in the 2015/16 year regarding areas where the Council's controls and governance need to be strengthened are included in section 5 below. The full summary of the work that Internal Audit has undertaken during the financial year 2015/16 which provides detail on the high risk and priority issues which could impact on the effectiveness of the internal control environment across the Authority is provided in the Internal Audit Annual Report 2015/16 to the September 2016 Audit Committee.

All planned audits from 2015/16 will be scheduled for follow up reviews to ensure that management action plans for implementation of agreed audit recommendations have been fully implemented within agreed timescales. This will provide DMTs, Corporate Governance Group, CMB and the Audit Committee with a direction of travel in the internal control environment across the Council and areas where further improvement is required.

Audit's assurance opinion is further informed through a "Service Assurance Statement" process which involves an on-going self-assessment within the year by Corporate Directors of the extent to which their services comply with expected controls and processes operating across their Service Directorates. The outputs from the completed self-assessments are mapped against Internal Audit's independent assessment of the internal control environment as well as the departmental risk registers. This assurance process provides the Council with greater assurance to support and embed a robust governance framework.

### Head of Internal Audit's Annual Opinion

The Head of Internal Audit is satisfied that the work undertaken during 2015/16 has enabled him to form a reasonable conclusion on the Council's control framework, risk and governance arrangements. For the year ended 31st March 2016, it is the Head of Internal Audit's opinion that the adequacy and effectiveness of the Council's arrangements is **Moderate Assurance** – overall the Council's systems for control, risk and governance are generally adequate with some improvement required. Weaknesses identified in individual assignments (including those rated as critical) are not significant in aggregate to the system of internal control; high/critical risk rated weaknesses identified in individual assignments are isolated to specific systems or processes. Where we have concluded "no assurance" in 2015/16, robust action plans have been agreed with services and we are expecting a high level of implementation of recommendations. Revision to assurance ratings and residual risks will be closely monitored through follow ups in early 2016/17.

Section 6 (Part 2) of The Accounts and Audit Regulations 2015 require that relevant bodies conduct, at least once in each year, a

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review of the effectiveness of the system of internal control. The findings of the review must be considered as part of the consideration of the system of internal control referred to in the regulations by the body or relevant committee of the body. We concluded that the internal audit service continues to be effective, complies with the Public Sector Internal Audit Standards (PSIAS), and provides the necessary skills and expertise to deliver a cost effective, value added, service to the Council, its partners and stakeholders.

Key Improvements and overall performance of the service in 2015/16 include:

- Key Performance Indicators showed that internal audit meets set targets for delivering the audit plan, maintaining staff productivity targets, and following up on implementation of agreed audit recommendations;
- Audit Quality Surveys received following each completed audit project revealed that surveys showed good or very good satisfaction with the audit service provided;
- External audit continue to place reliance on the work of internal audit through their review of audit work on key financial systems and other key risk areas, and
- CCAS (the Cross Council Assurance Service) provides opportunities both to enhance the value from the provider but also to work more closely with member boroughs to develop the shared service benefits even further.
- Peer review to be undertaken in May 2016 by Croydon to comprehensively review the effectiveness of the shared audit service with Camden.

### **5. Significant Governance Issues during 2015/16**

5.1.A key element of the annual governance review process is also to identify any significant internal control issues. The Council has adopted the approach recommended by the CIPFA which has identified what may be considered generally as a significant issue. These include:

- The issue has seriously prejudiced or prevented achievement of a principal objective;
- The issue has resulted in a need to seek additional funding to allow it to be resolved;
- The issue has resulted in significant diversion of resources from another aspect of the business;
- The issue has led to a material impact on the accounts;

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- The audit committee, or equivalent, has advised that it should be considered significant for this purpose, or
- The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

5.2. In 2015/16, the Council commissioned a piece of work by PWC to assist in the handling of the response to a data breach linked to the Parking Ticket Viewer application used by the Environment and Regeneration Directorate. It was found that poor overall security control design and operation resulted in a vulnerable system that exposed information to unauthorised users. Key themes from the audit related to the role of ICT in business transformation, governance and accountability for ICT provision and risk appetite. A remedial action plan has been put in place and is being monitored by Digital Services.

5.3. Our other work within Departments over the year has not identified any significant issues with the Council's overall governance framework, however, work will continue with Children's Services to further develop their control frameworks.

5.4. The following areas of governance/assurance are also noted:

### **Finance & Resources**

5.4.1. The Council has a sound process to setting its budget that ensures that estimates are robust and in particular savings proposals are fully scrutinised to ensure political, managerial and financial deliverability. The Council's budget monitoring process during the year routinely monitors service financial performance and key risks against budget and looks to put management action in place to deliver the council's financial outturn within the overall budget.

5.4.2. Since 2010 the Council's budget has been subject to major funding cuts. Between 2010 and 2015 the Council has had to make £150m in savings. Following the recent Local Government Finance Settlement the Council is faced with making a further £72m of savings over the coming four years. Detailed planning during 2015 identified £24m of savings to balance the budget for 2016/17 and work has started on the options to find the further £58m of savings forecast to be needed through to 2019/20.

5.4.3. The Chancellor's budget 2016 announced a further £3.5bn of government departmental spending cuts required by 2020 and a further £8bn of spending cuts pencilled in from 2020/21. It is uncertain at this time how the further cuts will impact on local government and Islington in particular and how the additional £3.5bn squares with the 4-year settlement offer from the government in December 2015 to provide councils with certainty in their financial planning.

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- 5.4.4. In the context of such unprecedented cuts it is a testament to the robustness of the budget setting and monitoring processes and control framework that in each financial year since 2010, the council has delivered its overall spending within budget. Cuts to financial management resources of around 50% since 2010 has add more risk to the process, however processes and the organisation of those resources have been reviewed to mitigate the risk as much as is possible and focus the reduced resource where they are needed.
- 5.4.5. The Council's Housing Revenue Account has benefited over a number of years from a robust and funded 30-year business plan. Recent government policy has created a large degree of financial uncertainty for the Housing Revenue Account with the requirement to reduce rents by 1% per annum and the proposed forced sale of high value void properties. Robust savings plans have been put together for the immediate budget (2016/17) and medium term options developed with longer term funding options under active consideration. The conclusion for the Housing Revenue Account is that it has moved from a low financial risk for the Council to a higher risk category from both a financial and service context. However financial management processes remain robust.

### **Children's Services**

- 5.4.6. The current structures and organisational arrangements provide a strong accountability scrutiny, leadership and management grip on Islington's statutory duties for children in need of help and protection, children in care and care leavers, including early help and benefitting from high educational standards locally.
- 5.4.7. The Corporate Director of Children's Services reports directly to the Chief Executive and the span of control allows the work to be given due priority. Assurance checks are integral to the decision making processes of the Council. The quality of work for children in need of help and protection, children looked after and care leavers is scrutinised through Islington's Quality Assurance Framework. Professional leadership is challenged by the Chief Executive and Leader of the Council who hold the Corporate Director of Children's Services, the Lead Member for Children and Families and the Director of Specialist and Targeted Services to account on a quarterly basis. Progress on themes arising from audit and performance data is reported at these meetings.
- 5.4.8. As part of this quality assurance, external and highly qualified professionals in the field carry out service reviews to benchmark against inspection expectations. There are research links with universities that inform practice, and this has led to an Innovation Grant

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from the DfE on Motivational Social Work, Doing What Counts, Measuring What Matters.

- 5.4.9. An annual self-assessment is carried out. Social worker caseloads, timeliness of interventions and outcomes for children are monitored at all levels and management oversight is good. The quality, value for money and sufficiency of placements for children is kept under review. An evaluation of Early Intervention has been undertaken, and early findings indicate good impact. Only evidence based programmes are in use.
- 5.4.10. The Islington Safeguarding Children Board (ISCB) has an independent chair who meets periodically with the Corporate Director as part of the accountability framework outlined in paragraph 5.4.7. The ISCB annual report is discussed by the Health and Wellbeing Board (HWB), Children and Families Board (CFB) and the Children and Families' Scrutiny Committee. Both the HWB and CFB reflect on the learning and build ISCB recommendations into their respective strategies. There continues to be a strong focus on Child Sexual Exploitation through the ISCB's sub group that leads the partnership on this work, complemented by the Council's elected member working group on CSE. The ISCB also oversees multi-agency audits of practice, training and compliance with safeguarding requirements set out in legislation. The Children and Families' Scrutiny Committee have looked at the impact of early help, new arrangements for children with special educational needs and the annual report on learning and education standards.
- 5.4.11. The Joint Strategic Needs Assessment includes sections on vulnerable children and those in need of help and protection, and is used to determine priorities for both the safeguarding board and for services for children and families. Educational outcomes for Children Looked After and care leavers are scrutinised at the Corporate Parenting Board.
- 5.4.12. The Corporate Parenting Board is chaired by the Lead Member for Children and Families. It has strong representation from the Children's Active Involvement Service, and the voice of the child is well evidenced in individual casework. Budget and change management proposals are scrutinised for impact on the quality of work with children in need of help and protection, children looked after and care leavers and this is included in Equality Impact Assessments.

### **Housing and Adult Social Care**

- 5.4.13. HASS Corporate Director is the statutory DASS for Islington. DASS is responsible for providing professional leadership for all local authority staff involved in delivering the council's social services functions for adults and across local networks and partnerships involved in the

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provision of adult social care services. DASS is also accountable for ensuring that relevant professional and occupational standards and standards of conduct are maintained across adult social care services provided by, or commissioned by the local authority.

- 5.4.14. The Corporate Director of Housing and Adults Social Services reports directly to the Chief Executive and the span of control allows Adult Social Care to be given due priority. Assurance checks are integral to the decision making processes of the Council. Professional leadership is challenged by the Chief Executive and Leader of the Council who hold the Corporate Director of Housing and Adult Social Services, the Deputy Leader (who is also Lead Member for Health and Social Care) and the independent Chair of the Safeguarding Adults Partnership Board to account on a quarterly basis. Progress on themes arising from audit and performance data is reported at these meetings.
- 5.4.15. Islington has a Safeguarding Adults Partnership Board that meets the current and new requirements for its scope and inclusiveness, chaired by an independent expert in the field.
- 5.4.16. The Council has partnership agreements (“section75”) with the Camden and Islington Mental Health Foundation Trust, Whittington Health and Islington NHS Clinical Commissioning Group, for the provision and commissioning of health and social care services. The purpose is to ensure cost effective, joined up services for vulnerable people. There are regular meetings between the Chairs and Chief Executives of these organisations and the Council Leader and Chief Executive, and an annual report to the respective Boards and the Council’s Executive to ensure that the day to day arrangements for collaborative working are meeting the aims of the partnerships and the objectives of the Council. These arrangements have been strengthened in the light of the Better Care Fund and greater inter-dependency of health and social care funding. The partnership agreements have been reviewed, and the council and the CCG have reviewed their respective commissioning structures to ensure better integration and accountability on both sides. These arrangements have been formally agreed by the Health and Wellbeing Board in line with national guidance.
- 5.4.17. HASS is responsible for managing council tenancies and council leasehold properties in the borough, either directly or by clienting Partners for Improvement (PFI). A Homes and Estates Safety Board, with an independent chair, oversees the particular fire and property-related risks to people in these dwellings. This is part of the overall corporate health and safety arrangements.
- 5.4.18. HASS Property Services have effective arrangements in place to monitoring equipment and stock. Arrangements are in place to actively manage the risk of fraud through prevention and detection techniques.

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Stock control within the repairs service has been audited with a moderate assurance rating. Improvements are being implemented.

5.4.19. Islington also has two long term PFI contracts to manage street council housing. The contract is managed by a clienting team with governance via senior management meetings with the PFI board and scrutiny via a range of annual audits carried out by the council's Internal Audit. In the last year performance has improved and penalties have been applied where properties have not been up to standard.

5.4.20. The relationship with the 25 Tenant Management Organisations in the borough is managed by the TMO compliance team supported by internal audit who run an annual programme auditing TMO financial and governance controls.

5.4.21. Residents are involved in the prioritisation and governance of the housing service via reference groups and representation on housing scrutiny.

### **Information Assurance**

5.4.22. The council received an on site audit from the Information Commissioner's Office in February 2015 and received an overall rating of 'Reasonable Assurance'. The council has implemented the agreed actions from this audit and completed a follow up review with the ICO in October 2015. Other work has continued to improve Information Assurance, in line with our Information Roadmap. This includes the development of a Records Management policy, the review of the retention schedule and the beginnings of work to prepare the council for the General Data Protection Regulation which is expected to become enforceable in 2018. This regulation will shape the council's approach to Information Assurance over the coming few years.

5.4.23. In 2015/16, the Council commissioned a piece of work by PWC to assist in the handling of the response to the recent data breach linked to the Parking Ticket Viewer application. This is outlined in 5.2.

5.4.24. The risk and importance of cyber security is corporately recognised, with specialist sessions undertaken at Senior Leadership Group, delivered by Cyber Security specialist. Further assurance is being sought through the 2016/17 internal audit plan.

### **Anti-Fraud**

5.4.25. During 2015/16, the Anti-Fraud Strategy has been designed through a unified corporate approach utilising the expertise of the fraud investigative community, which has strengthened the Council's stand against fraud. As part of the delivery of the Anti-Fraud Strategy, a Corporate Prosecution and Enforcement Policy has been written. This

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sets the standards and guidelines that assists in the decision making process when prosecution or enforcement action is necessary as part of the commitment to protecting the Council's funds, assets and reputation. The addition of the Fraud Forum to the Governance arrangements ensures that Fraud and Risk in different areas of the business is reported and acted upon.

Signed by:

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Leader	Date
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Signed by:

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Chief Executive	Date
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